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7 January 1974

MEMORANDUM FOR: Deputy Chief, Supply Division

THROUGH : Chief, Supply Management Branch, SD/OL

SUBJECT : OL Study Group Recommendation for Conversion from
FPA System to Direct Funding System

1. In a 13 December 1973 meeting with Study Group members a specific point requiring further review arose--could the budget and property management responsibilities for a category of items be related to a specific budgeting element (OL, OC, OTS and Staff D) purely by reference to the cognizant allocation. As examples, could all Allocation 00 stock be considered as OL Management-cognizant; could OC be considered as the cognizant manager for all Allocation 21 stock, and so on. The opinion was expressed that allocation was not the determining factor; that management cognizance could better be defined by reference to the cognizant code developed from paragraph 2d of SDI 45-67 and included in the nomenclature trailer line reflected as part of each cataloged National Item Identification Number (NIIN).

2. To clarify the applicability of allocation versus cognizant code, Log Job Order 616 requested OJCS to provide a machine run giving only a line item count by allocation and, within allocation, by cognizant (managerial) code. Initial evaluation of the data provided indicates that neither allocation nor cognizant code break-out provide a totally satisfactory budget guideline for determining the property management responsibility to be assigned to a specific Agency component. Reasons for this evaluation are provided in the paragraphs to follow.

3. Paragraphs 4 and 5 of SDI 45-67 list nine different degrees of management, ranging from (A) establishment of the minimum level to be applied to a new item through such added responsibilities as concurrence in stock release, concurrence in replenishment action, and others too numerous to define. Only one of these nine levels, the letter "W", represents total management responsibility. This category usually, but not necessarily, also indicates total budget (PPA) responsibility and sometimes total budget (PRA) responsibility.

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4. In addition to the nine degrees of management noted above (A thru E and O, X, Y and W, there are also listed 17 potential technical offices (A thru T). The total cognizant code thus consists of two letters; any one of the first nine plus any one of the second 17--WC for example. Thus, there are potentially 153 different management combinations obtainable. This is advantageous as a flexible tool for property management, but totally inappropriate for determination of budget responsibility (either PPA or PRA).

5. Returning to the idea of using the allocation as an indicator for assignment of budget responsibility, Allocation 00 was selected for review since 00 is generally thought of as an open allocation for which SMB/GMMS provides both property management and budget projection and control. As the attached tabulation shows, SMB/GMMS initiates all replenishment for Allocation 00 but the 11,449 line items represented (Forms have been excluded) include no less than 29 of the possible 153 management combinations noted above. Of the 1007 line items included in Allocation 21, ten management combinations apply, and a similar pattern appears throughout the entire machine listings. OTS Allocation 61 comes closest to being wholly managed and budgeted for by OTS, with 525 of 571 line items (92%) wholly controlled by OTS.

6. Another fallacy in consideration of either allocation or cognizant code is a machine run statistic showing that 2001 line items of stock reflect assets in two or more allocations. A classic example here is NIIN 5820-705-9067 a Federal Supply System catalog item (not peculiar to the Agency). The stock status run as of December 1973 cutoff reflects assets in Allocations 00 (open stock), 09 (awaiting disposal action) and 75 [redacted] The trailer line of the nomenclature indicates cog code WC (exclusive Office of Communications (OC) Management). The exclusive management includes responsibility for establishment of the minimum balance (re-order point) which is 360 each, the exact amount required for 1-75-1 [redacted] managed by [redacted]

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7. Log Job 616, used to support this paper, confirms the dangers of using numerical statistics to support a conclusion pro or con, when the statistics being applied are in any way incompatible. For example, study group paper cites 9,058 line items in stock; Log Job 616 lists 16,828 line items. The variance is accounted for by the computer counting each entry as a line item when, as noted above, over 2,000 line items have two or more entry lines. The variance becomes significant, however, because many of these multiple entries represent different allocations which must be considered as affecting the identity of the principal user who might, as the

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principal, be the logical total manager.

8. It is believed that the cog code combinations provided by SDI 45-67 are valuable property management tools, though perhaps over-elaborate. It is apparent that allocations and cog codes are not a compatible mix for establishment of budget/funding responsibility. This does not mean that funding responsibility cannot be segregated (note the purity of Allocation 61). It does mean that neither allocations or cog codes are the tool for eventual application.



Chief, General Materiel Management
Section, SMB, SD/OL

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ATTACHMENT

DEFINITION: Cognizant Technical Office can be OL, OC, OTS as those elements now committing PPA, or any other Agency component that provides technical guidance and some degree of control on an item of stock.

Cog Office Responsibility:

- A. Establishment of Minimum Level
- B. Establishes minimum level and approves replenishment
- C. Establishes minimum level and approves issue
- D. A, B and C above
- E. Approves replenishment
- O. OL establishes and budgets for item seeking other technical guidance as required
- W. Tech Office budgets and initiates all action for OL implementation
- X. Same as O, pertains to items of deniable Agency interest
- Y. Same as X, with firm requirement for technical guidance

ALLOCATION 00

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	<u>OTS</u>	<u>OC</u>	<input type="text"/>	<u>OS</u>	<u>OL</u>	<input type="text"/>	<u>CRS</u>	<u>OEL</u>
A.		370	8					
B.				117				
C.				2	1			
D.		13		4		2		
E.		8,371		11	4		1	
O.		2	8	1	1,639		1	
W.	3	66		1	741	1		2
X.		35		12	6	20		
Y.		12			1			

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ROUTING AND RECORD SHEET

SUBJECT: (Optional) OL Study Group Recommendation for Conversion from FPA System to Direct Funding System

FROM: C/General Materiel Management
Section, SMB, SD/OL
1116 Ames Bldg.

EXTENSION

NO.

DATE

7 January 1974

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TO: (Officer designation, room number, and building)

DATE

RECEIVED

FORWARDED

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1.	DC/SMB	1/7	1/8	n
2.				
3.	C/SMB		1/8	3
4.				
5.	DC/SD		1/8	6
6.				
7.	C/SD		1/9	13
8.				
9.	DC/SD			
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